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FISCAL IMPACT REPORT

ORIGINAL DATE 1/31/06

SPONSOR Miera LAST UPDATED _____ HB 210

SHORT TITLE State Support Reserve Fund Uses For Schools SB _____

ANALYST Aguilar

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
\$10,000.0		Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates SSB-58

Relates to Appropriation in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Education Department (PED)

Department of Finance and Administration (DFA)

SUMMARY

Synopsis of Bill

House Bill 210 appropriates \$10 million from the general fund to the state support reserve fund for the purpose of supporting the state equalization guarantee distribution and, providing for the emergency needs of school districts over and above emergency distributions provided to districts in financial need.

FISCAL IMPLICATIONS

The appropriation of \$10 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2006 and subsequent fiscal years shall not revert to the general fund.

This bill provides for continuing appropriations. The LFC has concerns with including continu-

ing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

SIGNIFICANT ISSUES

The State-support Reserve Fund was created in statute to augment the appropriations for the state equalization guarantee to ensure, to the extent of the amount undistributed in the fund, that the maximum figures for such distribution established by law will not be reduced. The law creating the fund (22-8-31 NMSA 1978) expresses the intent of the Legislature that the fund is reimbursed in the amount of the yearly distribution by appropriation in the year following the distribution, so that the fund at the beginning of each fiscal year will have a credit balance of at least \$10 million.

The House Appropriations and Finance Committee Substitute for House Bills 2, 3, 4, 5, 6, and 78 contains appropriations for the state support reserve fund for its intended purpose, \$5 million in emergency supplemental funding and \$6.8 million for three tiered transition. Schools will have considerable resources if necessary to meet emergency needs. The LFC is concerned the additional uses provided for in the bill could lead to recurring appropriations of up to \$10 million annually.

HB210 changes the intent of the fund by broadening its stated purpose to provide for emergency needs of school districts over and above the emergency distributions available through other statutory mechanisms, including the public school funding formula.

ADMINISTRATIVE IMPLICATIONS

DFA notes the administrative implications of HB210 are unclear, but because the bill broadens the intent of the Fund for use as an additional source of emergency funds available to school districts and requires the Secretary of Public Education to certify that a school district has exhausted its resources, including supplemental distributions, as a condition of receiving funds through the proposed mechanism, some administrative impact to the Public Education Department (PED) would occur. PED would have the added responsibility of implementing the certification process.

PA/nt